FORECASTING

by W. D. Gann
(1935 course, including HOW TO TRADE)

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FORECASTING

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Every movement in the market is the result of a natural law and a Cause which exists long before the Effect takes place and can be determined years in advance. The future is but a repetition of the past, as the Bible plainly states:

> "The thing that hath been, it is that which shall be; and that which is done is that which shall be done, and there is no new things under the sun." Eccl. 1: 9.

Everything moves in cycles as a result of the natural law of action and reaction. By a study of the past, I have discovered what cycles repeat in the future.

MAJOR TIME CYCLES

There must always be a major and a minor, a greater and a lesser, a positive and a negative. In order to be accurate in forecasting the future, you must know the major cycles. The most money is made when fast moves and extreme fluctuations occur at the end of major cycles.

I have experimented and compared past markets in order to locate the major and minor cycles and determine what years in the cycles repeat in the future. After years of research and practical tests, I have discovered that the following cycles are the most reliable to use:

GREAT CYCLE - MASTER TIME PERIOD - 60 YEARS:

This is the greatest and most important cycle of all, which repeats every 60 years or at the end of the third 20-year Cycle. You will see the importance of this by referring to the war period from 1861 to 1869 and the panic following 1869; also 60 years later—1921 to 1929—the greatest bull market in history and the greatest panic in history followed. This proves the accuracy and value of this great time period.

50-YEAR CYCLE:

A major cycle occurs every 49 to 50 years. A period of "jubilee" years of extreme high or low prices, lasting from 5 to 7 years, occurs at the end of the 50-year cycle. "7" is a fatal number referred to many times in the Bible. It brings about contraction, depression and panics. Seven times "7" equals 49, which is shown as the fatal evil year, causing extreme fluctuations.

30-YEAR CYCLE:

The 30-year cycle is very important because it is one-half of the 60-year cycle or Great Cycle and contains three 10-year cycles. In making up an annual forecast of a stock, you should always make a comparison with the record 30 years back.

20-YEAR CYCLE:

One of the most important Time Cycles is the 20-year cycle or 240 months. Most stocks and the averages work closer to this cycle than to any other. Refer to analysis of "20-year Forecasting Chart" given later.

15-YEAR CYCLE:

Fifteen years is three-fourths of a 20-year cycle and most important because it is 180 months or one-half of a circle.

10-YEAR CYCLE:

The next important major cycle is the 10-year cycle, which is one-half of the 20-year cycle and one-sixth of the 60-year cycle. It is also very important because it is 120 months or one-third of a circle. Fluctuations of the same nature occur which produce extreme high or low every 10 years. Stocks come out remarkably close on each even 10-year cycle.

7-YEAR CYCLE:

This cycle is 84 months. You should watch 7 years from any important top and bottom. 42 months or one-half of this cycle is very important. You will find many culminations around the 42nd month. 21 months or 1/4 of this cycle is also important. The fact that some stocks make top or bottom 10 to 11 months from the previous top or bottom is due to the fact that this period is 1/8 of the 7-year cycle.

There is an 84-year Cycle, which is 12 times the 7-year Cycle, that is very important to watch. One-half of this cycle is 42 years- 1/4 is 21 years, and 1/8 is $10\frac{1}{2}$ years. This is one of the reasons for the period of nearly 11 years between the bottom of August, 1921 and the bottom of July, 1932. A variation of this kind often occurs at the end of a Great Cycle or 60 years. Bottoms and tops often come out on the angle of 135° or around the 135th month or $11\frac{1}{4}$-year period from any important top or bottom.

5-YEAR CYCLE:

This cycle is very important because it is one-half of the 10-year cycle and 1/4 of the 20-year cycle. The smallest complete cycle or work-out in a market is 5 years.

MINOR CYCLES:

The minor cycles are 3 years and 6 years. The smallest cycle is one year, which often shows a change in the 10th or 11th month.

RULES FOR FUTURE CYCLES

Stocks move in 10-year cycles, which areworked out in 5-year cycles — a 5-year cycle up and a 5-year cycle down. Begin with extreme tops and extreme bottoms to figure all cycles, either major or minor.

Rule 1 - A bull campaign generally runs 5 years — 2 years up, 1 year down, and 2 years up, completing a 5-year cycle. The end of a 5-year campaign comes in the 59th or 60th months. Always watch for the change in the 59th month.

Rule 2 - A bear cycle often runs 5 years down—the first move 2 years down, then 1 year up, and 2 years down, completing the 5-year downswing.

Rule 3 - Bull or bear campaigns seldom run more than 3 to 3½ years up or down without a move of 3 to 6 months or one year in the opposite direction, except at the end of Major Cycles, like 1869 and 1929. Many campaigns culminate in the 23rd month, not running out the full two years. Watch the weekly and monthly charts to determine whether the culmination will occur in the 23rd, 24th, 27th or 30th month of the move, or in extreme campaigns in the 34th to 35th or 41st to 42nd month.

Rule 4 - Adding 10 years to any top, it will give you top of the next 10-year cycle, repeating about the same average fluctuations.

Rule 5 - Adding 10 years to any bottom, it will give you the bottom of the next 10-year cycle,repeating the same kind of a year and about the same average fluctuations.

Rule 6 - Bear campaigns often run out in 7-year cycles, or 3 years and 4 years from any complete bottom. From any complete bottom of a cycle, first add 3 years to get the next bottom; then add 4 years to that bottom to get bottom of 7-year cycle. For example: 1914 bottom - add 3 years, gives 1917, low of panic; then add 4 years to 1917, gives 1921, low of another depression.

Rule 7 - To any final major or minor top, add 3 years to get the next top; then add 3 years to that top, which will give the third top; add 4 years to the third top to get the final top of a 10-year cycle. Sometimes a change in trend from any top occurs before the end of the regular time period, therefore you should begin to watch the 27th, 34th, and 42nd months for a reversal,

Rule 8 - Adding 5 years to any top, it will give the next bottom of a 5-year cycle. In order to get top of the next 5-year cycle, add 5 years to any bottom. For example: 1917 was bottom of a big bear campaign; add 5 years gives 1922, top of a minor bull campaign. Why do I say, "Top of a minor bull campaign?" Because the major bull campaign was due to end in 1929.

1919 was top; adding 5 years to 1919 gives 1924 as bottom of a 5-year bear cycle. Refer to Rules 1 and 2, which tell you that a bull or bear campaign seldom runs more than 2 to 3 years in the same directi The bear campaign from 1919 was 2 years down—1920 and 1921; therefore, we only expect one-year rally in 1922; then 2 years down—1923 and 1924 which completes the 5-year bear cycle.

Looking back to 1913 and 1914, you will see that 1923 and 1924 mu be bear years to complete the 10-year cycle from the bottoms of 1913-1

Then, note 1917 bottom of a bear year; adding 7 years gives 1924 also as bottom of a bear cycle. Then, adding 5 years to 1924 gives 1929 top of a cycle.

FORECASTING MONTHLY MOVES

Monthly moves can be determined by the same rules as yearly:

Add three months to an important bottom, then add 4, making 7, to get minor bottoms and reaction points.

In big upswings a reaction will often not last over two months, the third month being up, the same rule as in yearly cycle—2 down and the third up.

In extreme markets, a reaction sometimes only lasts 2 or 3 weeks; then the advance is resumed. In this way a market may continue up for 12 months without breaking a monthly bottom.

In a bull market the minor trend may reverse and run down 3 to 4 months; then turn up and follow the main trend again.

In a bear market, the minor trend may run up 3 to 4 months, then reverse and follow the main trend, altho, as a general rule, stocks never rally more than 2 months in a bear market; then start to break in the 3rd month and follow the main trend down.

FORECASTING WEEKLY MOVES

The weekly movement gives the next important minor change in trend, which may turn out to be a major change in trend.

In a bull market, a stock will often run down 2 to 3 weeks, and possibly 4, then reverse and follow the main trend again. As a rule, the trend will turn up in the middle of the third week and close higher at the end of the third week, the stock only moving 3 weeks against the main trend. In some cases the change in trend will not occur until the fourth week; then the reversal will come and the stock close higher at the end of the fourth week.
Reverse this rule in a bear market.

In rapid markets with big volume, a move will often run 6 to 7 weeks before a minor reversal in trend, and in some cases, like 1929, these fast moves last 13 to 15 weeks or 1/4 of a year. These are culmination moves up or down.
As there are 7 days in a week and seven times seven equals 49 days or 7 weeks, this often marks an important turning point. Therefore you should watch for top or bottom around the 49th to 52nd day, altho at times a change will start on the 42nd to 45th day, because a period of 45 days is 1/8 of a year. Also watch for culminations at the end of 90 to 98 days.

After a market has declined 7 weeks, it may have 2 or 3 short weeks on the side and then turn up, which agrees with the monthly rule for a change in the third month.

Always watch the annual trend of a stock and consider whether it is in a bull or bear year. In a bull year, with the monthly chart showing up, there are many times that a stock will react 2 or 3 weeks, then rest 3 or 4 weeks, and then go into new territory and advance 6 to 7 weeks more.

After a stock makes top and reacts 2 to 3 weeks, it may then have a rally of 2 to 3 weeks without getting above the first top; then hold in a trading range for several weeks without crossing the highest top or breaking the lowest week of that range. In cases of this kind, you can buy near the low point or sell near the high point of that range and protect with a stop loss order 1 to 3 points away. However, a better plan would be to wait until the stock shows a definite trend before buying or selling; then buy the stock when it crosses the highest point or sell when it breaks the lowest point of that trading range.

FORECASTING DAILY MOVES

The daily movement gives the first minor change and conforms to the same rules as the weekly and monthly cycles, altho it is only a minor part of them.

In fast markets there will only be a 2-day move in the opposite direction to the main trend and on the third day the upward or downward course will be resumed in harmony with the main trend.

A daily movement may reverse trend and only run 7 to 10 days; then follow the main trend again.

During a month, natural changes in trend occur around

6th to 7th	14th to 15th	23rd to 24th
9th to 10th	19th to 20th	29th to 31st.

These minor moves occur in accordance with tops and bottoms of individual stocks.

It is very important to watch for a change in trend 30 days from the last top or bottom. Then watch for changes 60, 90, 120 days from tops or bottoms. 180 days or six months—very important and sometimes marks changes for greater moves. Also around the 270th and 330th day from important tops or bottoms, you should watch for important minor and often major changes.

January 2nd to 7th and 15th to 21st:

Watch these periods each year and note the high and low prices made. Until these high prices are crossed or low prices broken, consider the trend up or down.

Many times when stocks make low in the early part of January, this low will not be broken until the following July or August and sometimes not during the entire year. This same rule applies in bear markets or when the main trend is down. High prices made in the early part of January are often high for the entire year and are not crossed until after July or August. For example:

U. S. Steel on January 2, 1930 made low at 166, which was the half-way point from 1921 to 1929, and again on January 7, 1930 declined to 167¼. When this level was broken, Steel indicated lower prices.

July 3rd to 7th and 20th to 27th:

The month of July, like January, is a month when most dividends are paid and investors usually buy stocks around the early part of the month. Watch these periods in July for tops or bottoms and a change in trend. Go back over the charts and see how many times changes have taken place in July, 180 days from January tops or bottoms. For example:

July 8, 1932 was low; July 17, 1933, high; and July 26, 1934 low of the market.

HOW TO DIVIDE THE YEARLY TIME PERIOD

Divide the year by 2 to get 6 months, the opposition point or 180° angle, which equals 26 weeks.

Divide the year by 4 to get the 3 months' period or 90 days or 90° each, which is 1/4 of a year or 13 weeks.

Divide the year by 3 to get the 4 months' period, the 120° angle, which is 1/3 of a year or 17-1/3 weeks.

Divide the year by 8, which gives $1\frac{1}{2}$ months, 45 days and equals the 45° angle. This is also $6\frac{1}{2}$ weeks, which shows why the 7th week is always so important.

Divide the year by 16, which gives $22\frac{1}{2}$ days or approximately 3 weeks. This accounts for market movements that only run 3 weeks up or down and then reverse. As a general rule, when any stock closes higher the 4th consecutive week, it will go higher. The 5th week is also very important for a change in trend and for fast moves up or down. The 5th is the day, week, month, or year of Ascension and always marks fast moves up or down, according to the major cycle that is running out.

BULL AND BEAR CALENDAR YEARS

By studying the yearly high and low chart and going back over a long period of time, you will see the years in which bull markets culminate and the years in which bear markets begin and end.

Each decade or 10-year cycle, which is 1/10th of 100 years, marks an important campaign. The digits from 1 to 9 are important. All you have to learn is to count the digits on your fingers in order to ascertain what kind of a year the market is in.

No. 1 in a new decade is a year in which a bear market ends and a bull market begins. Look up 1901, 1911, 1921.

No. 2 or the 2nd year, is a year of a minor bull market, or a rally in a bear market will start at some time. See 1902, 1912, 1922, 1932.

No. 3 starts a bear year, but the rally from the 2nd year may run to March or April before culmination, or a decline from the 2nd year may run down and make bottom in February or March, like 1933. Look up 1903, 1913, 1923.

No. 4 or the 4th year, is a bear year, but ends the bear cycle and lays the foundation for a bull market. Compare 1904, 1914.

No. 5 or the 5th year, is the year of Ascension, and a very strong year for a bull market. See 1905, 1915, 1925, 1935.

No. 6 is a bull year, in which a bull campaign which started in the 4th year ends in the Fall of the year and a fast decline starts. See 1896, 1906, 1916, 1926.

No. 7 is a bear number and the 7th year is a bear year, because 84 months or $84\frac{1}{2}^{o}$ is 7/8 of 90. See 1897, 1907, 1917, but note 1927 was end of a 60-year cycle, so not much decline.

No. 8 is a bull year. Prices start advancing in the 7th year and reach the 90th month in the 8th year. This is very strong and a big advance usually takes place. Review 1898, 1908, 1918, 1928.

No. 9 the highest digit and the 9th year, is the strongest of all for bull markets. Final bull campaigns culminate in this year after extreme advances and prices start to decline. Bear markets usually start in September to November at the end of the 9th year and a sharp decline takes place. See 1869, 1879, 1889, 1899, 1909, 1919, and 1929—the year of greatest advances, culminating in the fall of the year, followed by a sharp decline.

No. 10 is a bear year. A rally often runs until March and April; then a severe decline runs to November and December, when a new cycle begins and another rally starts. See 1910, 1920, 1930.

In referring to these numbers and years, we mean the calendar years. To understand this, study 1891 to 1900, 1901 to 1910, 1911 to 1920, 1921 to 1930, 1931 to 1939.

The 10-year cycle continues to repeat over and over, but the greatest advances and declines occur at the end of the 20-year and 30-year cycles, and again at the end of the 50-year and 60-year cycles, which are stronger than the others.

IMPORTANT POINTS TO REMEMBER IN FORECASTING

TIME is the most important factor of all and not until sufficient time has expired does any big move, up or down, start. The Time factor will overbalance both Space and Volume. When Time is up, space movement will start and big volume will begin, either up or down. At the end of any big movement—with monthly, weekly or daily—Time must be allowed for accumulation or distribution.

Consider each individual stock and determine its trend from its position according to distance in time from bottom or top. Each stock works out its 1, 2, 3, 5, 7, 10, 15, 20, 30, 50 and 60-year cycles from its own base or bottoms and tops, regardless of the movements of other stocks, even those in the same group. Therefore, judge each stock individually and keep up weekly and monthly charts on them.

Never decide that the main trend has changed one way or the other without consulting the angles from top or bottom and without considering the position of the market and cycle of each individual stock.

Always consider the annual forecast and whether the big time limit has run out or not before judging a reverse move. Do not fail to consider the indications on Time, both from main tops and bottoms, also Volume of Sales and position on Geometrical Angles.

A daily chart gives the first short change, which may run for 7 to 10 days; the Weekly Chart gives the next important change in trend; and the Monthly the strongest. Remember, weekly moves run 3 to 7 weeks, monthly moves 2 to 3 months or more, according to the yearly cycle, before reversing.

Yearly bottoms and tops: It is important to note whether a stock is making higher or lower bottoms each year. For instance, if a stock has made a higher bottom each year for five years, then makes a lower bottom than the previous year, it is a sign of reversal and may mark a long down cycle. The same rule applies when stocks are making lower tops for a number of years in a bear market.

When extreme advances or declines occur, the first time the market reverses over 1/4 to 1/2 of the distance covered in the previous movement, you consider that the trend has changed, at least temporarily.

It is important to watch space movements. When Time is running out one way or the other, space movements will show a reversal by breaking back over 1/4, 1/3 or 1/2 of the distance of the last move from extreme low to extreme high, which indicates that the main trend has changed.

Study all the instructions and rules that I have given you; read them over several times, as each time they will become clearer to you. Study the charts and work out the rules in actual practice as well as on past performance. In this way you will make progress and will realize and appreciate the value of my Method of Forecasting.

HOW TO MAKE UP ANNUAL FORECASTS

I have stated before that the future is but a repetition of the past; therefore, to make up a forecast of the future, you must refer to the previous cycles.

The previous 10-year cycle and 20-year cycle have the most effect in the future, but in completing a forecast, it is best to have 30-years past record to check up, as important changes occur at the end of 30-year cycles. In making up my 1935 Forecast on the general market, I checked the years 1905, 1915, and 1925. For the 1929 Forecast, I compared 1919—10 years back, 1909—20 years back, 1899—30 years back, and 1869—60 years back, the Great Cycle.

You should also watch 5, 7, 15, and 50-year periods to see if the market is repeating one of them closely.

MASTER 20-YEAR FORECASTING CHART

1831 - 1935

In order to make up an annual forecast, you must refer to my Master 20-year Forecasting Chart and see how these cycles have worked out and repeated in the past.

As stated before, the 20-year cycle is the most important cycle for forecasting future market movements. It is one-third of the 60-year cycle and when three 20-year cycles run out, important bull and bear campaigns terminate.

In order for you to see and study how these cycles repeat, I have made up a chart of 20-year cycles, beginning with the year 1831. To show all of the cycles from 1831 to date, we have carried thru on this chart the monthly high and low on railroad and canal stocks from 1831 to 1855. Beginning with 1856 we have used the W. D. Gann Averages on railroad stocks until the beginning of the Dow-Jones Averages in 1896. After that we have used the Dow-Jones Industrial Stock Averages.

After the end of the 20-year cycle in 1860,
the next cycle begins at 1861 and runs to 1880,
the next cycle begins at 1881 and runs to 1900,
the next cycle begins at 1901 and runs to 1920,
the next cycle begins at 1921 and runs to 1940.

By placing the monthly high and low prices for each of those 20-year periods above each other, it is easy to see how the cycles repeat. The year of the cycles are marked from "1" to "20." Study the chart and note what happened in the 8th and 9th year of each cycle—that extreme high prices have always been reached. For example:

1929 FORECAST:

According to my discovery of the 60-year cycle, I had figured that 1929 would repeat like 1869, 1909, and 1919. Looking back 20 years, we find that top was reached in August, 1909, and 60 years before, top was reached in July, 1869. If you will read my Annual Forecast for 1929, you will see that I had figured the top must come not later than the end of August and stated that a "Black Friday" would come in September. Following strictly the 1869 top, the top would have come in July, 1929, and some stocks did make top at that time. Following the 1909 top, we could expect top in August, and the actual high of the averages and many individual stocks was reached on September 3, 1929. Going back to 1919, we find that the Averages made first top in July and a big decline followed, but extreme high was made in the early part of November.

From all of those tops—1869, 1909, and 1919—sharp declines followed in the fall of the year, just as they did in 1929. Therefore you see how easy it was to follow this great advance and determine when it would culminate. There is no other way, outside of using the 20 and 60-year cycle that we could have forecast this great bull campaign and its culmination so closely in 1929.

1869-73 VS. 1929-33:

After the 1869 top, stocks continued to decline and reached low in November, 1873. See how many other bottoms were reached around this time in other cycles. After the big decline from 1929, notice that in October, 1933 the last low was reached on the Dow-Jones Averages; thenfollowed an advance to new high levels, crossing the top of July, 1933.

1935 FORECAST:

Figuring out the Forecast for 1935, we see on this 20-year Chart that we are running against 1855, 1875, 1895, 1915; therefore, we look to see what happened in those years. We find that in 1895 the high was reached in September, in 1915 the high of the year was reached in December.

Then, look back at 1865, 1885, 1905, and 1925, the years in the 5th zone or the 10-year cycles. We find that in 1865 the high was reached in October; in 1905 the high was in October; in 1925 the high was in November.

Then, we would have a good guide in making up the Forecast for 1935 and would know what months to watch for top and a change in trend. My Annual Forecast for 1935, which was made up in October, 1934, indicated top for October 28 and a secondary top for November 15-16, 1935.

There are other ways of using this Chart to advantage. One method of determining the trend is to compare the years of previous cycles in the same zone. For example: After the Dow-Jones 30 Industrial Averages crossed 108 in May, 1935 they were above the average high price of all the previous years in the 15th-year zone. Therefore, the market indicated higher prices and showed that there would be a bull campaign.

<u>1936 FORECAST</u>:

If we wish to make up a forecast for the year 1936, we compare the years in the 16th-year zone, viz. 1856, 1876, 1896, and 1916. As 60 years back is a very important cycle, we look at 1876 first, then 1896, and 1916.

1876 - We find that the averages run up and reach high in March; then decline to the end of the year.

1896 - Next, we look at 1896, which is 40 years back, or two 20-year cycles, a very important presidential election year, just as 1936 will be. We find that there was a moderate rally into February, a decline to March, then a small rally to May, from which a panicky decline followed, culminating on August 8, 1896, with the averages at the lowest levels in years. From that point a bull campaign started, with prices working higher to December.

1916 - The next important cycle is 20 years later, or 1916. We find that prices declined in January, rallied moderately in February, then declined sharply to April, rallied to June, then declined and made bottom in July, from which a big bull campaign started, making top in November, 1916, in a war market. A panicky decline followed from the latter part of November into December.

This completes our comparison of the 60, 40, and 20-year cycles back from 1936. Next, we look up the cycles on the other side of the Chart, in the 6th year of the 20-year cycle, or the 6th zone, or the 10-year cycles. These years are 1866, 1886, 1906, and 1926.

1866 - We find that in 1866 there was a sharp decline, reaching bottom in February; then an advance, with top of the year in October.

1886 - We find a sharp decline and bottom in January, a moderate rally into March, then a sharp decline to new lows in May; a sharp advance, reaching high in November, and a sharp decline in December.

1906 - The next important cycle to consider is 1906. In that year the great McKinley boom, which began in 1896, culminated. The railroad averages reached the highest price in history up to that time. From the high of January, a sharp decline followed to May. Much of this selling was caused by the San Francisco earthquake. Then, there was a rally into June, followed by a sharp decline to low in July, with the bottom just slightly higher than the low of May. From this low there was an advance to September, when another top was made, but lower than the top in January; then followed a decline into December and a panic followed in 1907.

1926 - The next important 10-year cycle to consider is 1926, when the great Coolidge bull campaign was under way. From the low in December, 1925, stocks rallied to February, 1926; then had a sharp decline to March, some stocks breaking as much as 100 points. From this bottom there was a sharp advance to new high levels, reaching top in August; then another sharp decline to bottom in October, from which a rally followed to December, but stocks did not get back to the high reached in August that year.

Now, when I get ready to make up my Forecast for 1936, I will consider all of these cycles. I will go back and also check the 7-year cycles, the 14-year and 15-year cycles, which is half of the 30-year cycle. But, at this writing, with my knowledge and experience of the future cycles, I expect the 1896 cycle to repeat in 1936.

1936 is likely to be a very uncertain election year just as it was in 1896, when the Bryan silver scare caused a panicky decline into August. There is a possibility of a three-cornered fight, with two Democratic presidential candidates and one Republican. There certainly is going to be a time during 1936 when the investors are going to get scared and speculators are going to get scared and sell stocks, causing sharp declines.

My opinion, at this writing, is that the first decline will start in the month of January and wind up with a sharp decline. February—The market may drift along in a narrow, trading range with some rallies, but there will be another decline in the month of March, just as there was in 1926. I am confident that there will be another break in the months of May and June, especially in the latter half of May, as this will be running out four years from the 1932 low and 6 years from April, 1930 high, all of which are indications of important changes in trend.

We know that presidential nominations will take place in July, therefore this is a month to watch for uncertainties and declines, unless sharp declines have come before that time. The ending of the cycle from 1896 in August in quite important and regardless of how high or how low stocks are, there are likely to be some sharp declines before the end of August. Again, in the last half of September, uncertain conditions and possibility of sharp declines are indicated. This may mark the last low and an election rally may start if there are indications of a change in Administration by the election of a Republican president, which, I believe, at this writing, will happen.

September, October, and November are all important because these months are 7 years from the top in September, 1929 and 7 years from the panicky decline in October and November, 1929. I would expect a rally to take place after the election in November, which would last anyway until the early part of December. If conditions show signs of improvement and if the people are satisfied with the man elected, then the advance will probably continue into December, with high prices around the end of the year.

This is merely a general outline that I am giving without completing all of my calculations and making up the Annual Forecast in detail.

INDIVIDUAL STOCKS:

I have told you before that you should not depend upon the Averages to forecast the trend of individual stocks. These Averages give you the general trend, and while many stocks will follow this average trend, you should figure out each stock individually and let its position on geometrical angles and time periods determine the different months in the year when the stock is likely to make tops and bottoms.

Take any individual stock and make up a chart like the Master Forecasting Chart, carrying it across 10 years or 20 years, and see how its tops and bottoms come out. I have made up a chart of the 10-year cycles on U. S. Steel and also a chart of the 20-year cycles, and am always glad to furnish these charts to students of my Course on Forecasting so that they may study the individual stocks and be convinced that the theory will work on an individual stock even better than it will work on the Averages.

No man can study the Master 20-year Forecasting Chart and the cycles without being convinced that time cycles do repeat at regular intervals and that it is possible to forecast future market movements. By studying Resistance Levels, Geometrical Angles, and Volume of Sales in connection with the Cycles, you can determine when the trend is changing at the end of campaigns.

FAST MOVES AND CULMINATIONS AT IMPORTANT TIME PERIODS

It is important to go over the monthly chart of Industrial or Railroad averages or any individual stock and look up the months when fast advances and fast declines have occurred and figure the number of months from any important top and bottom.

Watch how bottoms and tops come out on the important Geometrical Angles or proportionate parts of the circle of 360°, which are:

11¼	56¼	*90	123¾	168¾	213¾	247½	292½	326¼
22½	*60	101¼	*135	*180	*225	258¾	*300	337½
33¾	67½	112½	146¼	191¼	236¼	*270	303¾	348¾
*45	78¾	*120	157½	202½	*240	281¼	*315	*360

(* very important)

These angles measure the time periods. Always watch what happens around 45, 60, 90, 120, 135, 180, 225, 240, 270, 300, 315 and 360 months from any important top or bottom, as all of these angles are very strong and important, just the same as the 45° angle, and indicate strong culmination points.

REVIEW OF DOW-JONES INDUSTRIAL STOCKS FROM 1896:

Go back to the extreme low of August, 1896—

1897 - A secondary low was recorded in April, 1897. We find that there was a fast advance in the 11th to 13th months from August, 1896 low.

1898 - A fast advance occurred in the 16th and 24th months from the bottoms of 1897 and 1896, and a fast decline in the 17th and 25th months.

1899 - A bull year. Fast advance occurred in the 29th to 32nd months from 1896 and in the 21st to 24th months from 1897 bottom. Fast declines occurred in the 40th and 32nd months from these bottoms.

1900 - Fast advance 42nd to 44th months from 1897 and 50th to 52nd months from 1896 bottom.

1901 - A fast decline on the 49th month from 1897 and 57th month from 1896 low. Top reached in June.

1903 - A bear year. 22nd to 28th month from 1901 top, a fast decline- also 72nd to 78th months from 1897 bottom and 80th to 86th months from 1896 bottom. Bottom reached in October and November, 1903.

1904 - Fast advance, 12 to 14 months from 1903 bottom.

1905 - Fast move up in the 16th to 18th months; fast decline in the 19th month, and a fast advance in the 25th to 27th months from 1903 bottom.

1906 - Top of campaign reached in January. Fast decline in the 30th month from 1903 bottom.

1907 - Fast decline in the 14th month from 1906 top and in the 19th to 22nd months. Extreme low reached in November, 1907, in the 135th month from 1896 bottom, 127 months from 1897 low, and 22 months from 1906 top.

1909 - Top of campaign reached in October, 45 months from 1906 top and 23 months from 1907 bottom, 158 months from 1896.

1914 - July, a fast decline in the 57th month from 1909 top, 21 months from 1912 top. Extreme low of campaign in December, 107 months from 1906 top, 26 months from 1912 top, 220 months from 1896 low, 84 months or 7 years from 1907 bottom, and 134 months from 1903 bottom.

1915 - This was a war year. March and April—Fast advance on the 3rd and 4th months from the 1914 bottom. May—A sharp, severe decline, 90 months from November, 1907 bottom and 225 months from 1896 bottom. Note these fast moves on a 90° angle and 225° angle, which is equal to a 45° angle, or 180 plus 45.

1916 - April—A sharp decline, 16 months from the 1914 bottom, 123 months from 1906 top, and 236 months from 1896 low. September—Fast advance, 21 months from 1914 low, and 240 months from 1896 low, the end of the 20-year cycle, indicating an important change in trend. November—Top of a fast advance; Dow-Jones Industrial Averages at the highest price in history up to that time. This was 23 months from 1914 bottom and 243 months from 1896 bottom. December—A sharp decline, 24 months from 1914 bottom.

1917 - August to December—A fast decline, 9 to 13 months from November, 1916 top, 32 to 36 months from the 1914 bottom, 117 to 121 months from the 1907 bottom, and 252 to 256 months from 1896 low.

1919 - A fast advance started in February and lasted until July. This was 27 to

32 months from the 1916 top, and 50 to 55 months from 1914 low. February, 1919 was 135 months from the 1907 low and 270 months from 1896 bottom. The 135th and 270th months, being 3/8 and 3/4 of the circle, were very important for changes in trend and starting of moves. October and early November—Final top, 36 months from 1916 top. November—A panicky decline, 23 months from 1917 low, 59 months from 1914 bottom (end of a 5-year cycle), and 279 months from 1896 bottom.

1920 - November and December—A fast decline, 12 to 13 months from 1919 top, 35 to 36 months from 1917 low, 72 months from 1914 bottom, 157 months from 1907 bottom, and 291 to 292 months from 1896 bottom.

1921 - August—Low of bear campaign, 21 months from 1919 top, 80 months from 1914 bottom, 165 months from 1907 bottom, and 300 months from 1896 bottom.

1924 - May—The last low was made, from which a fast advance started one of the greatest bull campaigns in history, ending in 1929. This was 54 months from the 1919 top, 33 months from 1921 low, 113 months from 1914 low, and 333 months from 1896 low.

1926 - March—A big decline, with some stocks declining 100 points. This was 23 months from May, 1924 low, 29 months from 1923 low, 55 months from 1921 low, 135 months from 1914 low, and 355 months from 1896 low.
August—Stocks reached the highest price up to that time, the Dow-Jones Industrial Averages selling at 166. This was 27 months from May, 1924 low, 34 months from October, 1923 low, 60 months from 1921 bottom, 225 months from 1907 low, and 360 months or 30 years from 1896 low. Then a 20-point decline followed to October, which was 2 months in a new 30-year cycle from the bottom of 1896.

1928 and 1929 were years of some of the fastest moves in history.

1929 - May to September—One of the fastest moves, advancing nearly 100 points on Averages. Final high in September. This was:

118 months from 1919 top,	97 months from August, 1921 low,
240 months from 1909 top,	177 months from 1914 low,
42 months from March, 1926 low,	262 months from 1907 low,
64 months from May 1924 bottom,	37 months in the second cycle
71 months from October, 1923 low,	of 30 years from 1896 low.

Note the strong time angles on the Monthly Chart running out in October and November, 1929, which are 32, 40, 45, $67\frac{1}{2}$, 75, 120, 180.

1930 - April—Last top before another big decline. This was 49 months from March, 1926 low, 71 months from 1924 low, and 78 months from 1923 low.
May—A sharp, severe decline. This was 270 months from 1907 low and 45 months in the second cycle from 1896 low. Then there were fast declines to 1931.

1931 - September—A decline of 46 points on the Dow-Jones Averages. This was 24 months from the 1929 top, 95 and 86 months from 1923 and 1924 lows, 121 months or the beginning of a new 10-year cycle from 1921 low, 201 months from 1914 low, and 61 months in the new cycle from 1896.

1932 - July 8th—Extreme low of the bear campaign was reached. This was 71 months in the new cycle from 1896 low, 131 months from 1921 low, 105 and 96 months from 1923 and 1924 lows, 27 months from April, 1930 top, and 34 months fro

1929 top. August and September—A sharp, fast advance in stocks. This was 35 and 36 months from 1929 top, 28 and 29 months from April, 1930 top, 72 and 73 months in the new cycle from 1896 low, and 132 to 133 months from 1921 low.

1933 - April to July—A fast advance. This was 43 to 46 months from 1929 top. Always watch for culminations around the 45th month and multiples of 45. It was also 36 to 39 months from the 1930 top, 9 to 12 months from 1932 low, and 80 to 83 months in the new cycle from 1896, or running out a 7-year cycle in the new 30-year cycle. October, 1933—Low of reaction, 42 months from April, 1930 top, 49 months from 1929 top, and 15 months from 1932 low.

1934 - February—Top. This was 46 months from 1930 high, 53 months from 1929 high, 12 months from 1933 low, 19 months from 1932 low, and most important of all, 90 months in the new 30-year cycle from August, 1926. From this top a sharp decline followed. July—This marked the last low before a big bull campaign started. This was 58 months from 1929 top, 51 months from 1930 top, 24 months from 1932 low, and 95 months or the ending of the 8th year in the new cycle from 1896. Going into the 9th year of this cycle, the market indicated a big bull campaign to follow in 1935, as explained before.

Go over individual stocks and work out their cycles in the same way. Look up the months when extreme highs and lows have been made and note the months from each bottom and top when fast advances and fast declines have taken place. By keeping up the time periods from important tops and bottoms, you will know when important time periods are running out and when a change in trend is likely to take place. Also watch the seasonal changes in trend around March to April, September to October, and November to December.

All of this will help you to pick the stocks that are going to have the greatest advances and the ones that are going to have the greatest declines. The more you work and study, the more you will learn and the greater profits you will make.

NEW YORK STOCK EXCHANGE PERMANENT CHART

This Master Chart is a square of 20, or 20 up and 20 over, making a total of 400, which can be used to measure days, weeks, months or years, and to determine when tops and bottoms will be made against strong angles as indicated on this Permanent Chart. This chart works out the 20-year cycles remarkably well because it is the square of 20. For example:

The New York Stock Exchange was incorporated on May 17, 1792. Therefore, we begin at "0" on May 17, 1792. 1793 ends on "1", when the Stock Exchange was one year old. 1812 will come out on 20, 1832 on 40, 1852 on 60, 1872 on 80, 1892 on 100, 1912 on 120, and 1932 on 140. Note that 140, or 7 times 20, in 1932 is equal to 90° angle and is at the top of the 7th zone or the 7th space over, which indicated that 1932 was the ending of a bear campaign and great cycle and the starting of a bull market. We would watch for a culmination around May to July, 1932, as the cycle ended May 17, 1792.

You will notice that the numbers which divide the square into equal parts, run across 10, 30, 50, 70, 90, 110, etc., and that the year 1802 comes out on 10 the year 1822 on 30, the year 1842 on 50, the year 1862 on 70. Note that the year 1861, when the Civil War broke out, was on the number 69, which is on a 45° angle. Then note that 1882 ended in May on the 90° angle and at the 1/2-point, 180° angle, running horizontally across.

Again in 1902 it was at 110, the 1/2-point, and in 1903 and 1904 hit the 45° angle. Note that the years 1920 and 1921 hit the 45° angle on No. 129, and 1922—the first year of the bull market—was at 130 at the 1/2-point.

Note that 1929 was on the 137th number, or 137 month, and hit an angle of 45°, and that the year 1930 was at the 1/2-point on the 4th square, a strong Resistance Point, which indicated a sharp, severe decline.

1933 was on 141 or the beginning of the 8th Zone and at the center or half-way point of the 2nd quarter of the Square of 20, indicating activity and fast advances and fast declines.

The years 1934 and 1935, ending in May, were on 142 and 143, and 1935 comes out on the 45° angle at the grand-center in the 8th Zone and at the half-way point of the 2nd square, going to 1/2 of the total square, which indicated great activity.

You can also use this chart from October 12, 1492, when Columbus discovered America. 1892 was end of 400 years or Square of 20. 1932 was 40 years in the n Square of 20.

You can use this Square of 20 for time periods on individual stocks and for price resistance levels.

If you will study the weeks, months, as well as the years, and apply them t these important points and angles, you will see how they have determined the important tops and bottoms in the past campaigns.

HOW TO TRADE

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After you have thoroughly mastered all of the lessons, be sure you are right before you make a trade. Never guess. Trade on scientific indications only.

WHAT YOU MUST KNOW BEFORE YOU START TRADING:

You must know exactly how to apply all the rules; how to draw the geometrical angles or moving-average lines from tops and bottoms; how to square Time with Price; how to bring on the important 45° angles or lines, which represent a moving average. You must know where to place a stop loss order and must look up what cycle the year is in, that is, determine from the Master Forecasting Chart whether it is a bull or bear year, whether the main trend should be up or down.

Before you make a trade, either buying or selling, consider the position of each individual stock on the monthly chart; next consider the weekly chart and then the daily chart. If they all confirm an uptrend, it is a cinch to buy, provided you have located the point at which to place a stop loss order. On the other hand, if the cycle shows that it is a bear year and the monthly, weekly and daily charts show downtrend, then it is the time to go short, but again you must look for the most important point—where to place the stop loss order so that it will not be more than 3 points away and closer if possible.

WHAT TO LOOK UP BEFORE YOU MAKE A TRADE:

Following are the most important points that you must consider before buying or selling a stock:

1. Annual Forecast determines year of Time Cycle, whether bull or bear year, and main trend of the general market, up or down.

2. Cycle of individual stock, whether up or down year.

3. Monthly position on angles from tops and bottoms and time periods.

4. Weekly position on time periods from tops and bottoms and on angles from tops and bottoms. See if it is squaring out Time from top or bottom.

5. Daily position on angles from important tops and bottoms and time periods. See whether a stock is near square of recent top or bottom.

6. Resistance Levels on price. See whether the stock is near any half-way point or other points of support or resistance.

7. Look to see if stock has held for several days, weeks or months around same level and whether it is about ready to cross or break important angles from tops or bottoms.

8. Look up volume of sales. See whether a stock has increased or decreased volume over past few days or weeks.

9. Look up space or price movement, up or down, for past movements. Find out what was the greatest advance or decline for past few weeks or months. For example: If a stock has reacted 5 points several times and at the time you

look it up, you find it is 3 points down from the last top and the trend is up on monthly, weekly and daily with the price near a support angle, you could buy with a stop loss order 2 to 3 points away; then if the stock broke back over 5 points, the previous reaction limit, it would show a change in trend and you should be out of it.

10. Remember, the most important factor to depend on to determine the position of a stock is Geometrical Angles. Be sure to bring up the angles from "0" from recent tops and bottoms.

11. Never overlook the fact that you must have a definite indication before making a trade.

12. Most important of all--Always locate the point at which to place a stop loss order to limit risk.

PRACTICE TRADING ON PAPER:

After you feel sure that you have mastered all the rules and know exactly how to determine the trend of a stock and the place to begin trading, then to make yourself doubly sure and establish confidence, practice trading on paper until you thoroughly understand how to use the rules and when to use them. If you make mistakes trading on paper, then you would make mistakes at that time in actual trading and you are not ready to begin trading. When you feel that you are competent to start trading, apply all of the rules and trade only on definite indications. If you are not sure of the trend or the buying and selling price and not sure where to place a stop loss order, then wait until you get a definite indication. You can always make money by waiting for opportunities. There is no use getting in partly on guesswork and losing.

WHEN TO CLOSE A TRADE:

After you start actual trading, when you make a trade, don't close it or take profits until you have a definite indication according to the rules that it is time to sell out or buy in or to move up the stop loss order and wait until it is caught. The way to make a success is to follow the trend always and not get out or close a trade until the trend changes.

WHEN TO WAIT AND NOT TRADE:

It is just as important to know when not to enter the market as it is to know when to enter it. The time not to make a trade is when you find a stock has been holding in a narrow trading range for some time, say, a 5-point or a 3-point range, but has not broken under bottoms previously made or crossed tops previously made. A stock may stay for weeks or months or even years in a trading range and will not indicate any big move or change in trend until it crosses a previous top or breaks a previous bottom. If a stock is inactive in this position it is no time to start trading in it.

Another time not to make a trade is when a stock has narrowed down between two important angles--has not broken under one or crossed the other. Wait until it gets out in the clear and gives a definite indication before you trade.

After a prolonged decline stocks nearly always narrow down and hold in a trading range for some time. Then you should wait until the angles from the bottom are broken or the angles from the top are crossed and the stock breaks over an old top before you make a trade. In other words, at all times trade when you have a definite, well-defined trend.

CAPITAL REQUIRED FOR TRADING

Before you do any trading, you must know the amount of capital required to make a success trading and the exact amount that you must risk on any one trade in order to always have capital left to trade with.

You can begin trading in 10 shares, 100 shares, 1000 shares or any other amount, but the main point is to divide your capital properly and to distribute the risks equally to protect your capital.

Whatever amount of capital you use to trade with, follow this rule: Divide your capital into 10 equal parts and never risk more than 10% of your capital on any one trade. Should you lose three consecutive times, then reduce your trading unit and only risk 10% of your remaining capital. If you follow this rule, your success is sure.

As a general rule, I have always considered it advisable to use at least $3,000 capital for every 100 shares of stock traded in and to limit risks to 3 points or less on every trade. In this way you will be able to make 10 trades on your capital and the market would have to beat you 10 consecutive times to wipe out your capital, which it will not do. You should try to make trades at a price where it will only be necessary to use one to two-point stop loss orders, which will cut down the risk.

If you want to start trading in small units of stock, use a capital of $300 for each 10 shares and never risk more than 3 points on the initial trade. Try to make the first trade, if possible, where your stop loss order will not be more than one or two points.

ALWAYS FOLLOW RULES: Decide this important point before you start trading. If you do not intend to follow the rules strictly, do not begin trading. Never allow guesswork or the human element to enter into your trading. Stick to the "Capital" rule and under no condition risk more than one-tenth of your capital on any one trade. Follow the mathemtical rules and you will make a success.

PYRAMIDING

You should only pyramid or increase your trading in active markets where volume is above normal. The position on angles and volume of activity will show you when to pyramid. You should never begin pyramiding until a stock has gotten into a strong position on angles or into a weak position on angles, or until it has broken out of a trading range by crossing old tops or breaking old bottoms.

HOW TO PYRAMID:

If you are trading in 100 shares, after you have made your first trade with a risk limited to 3 points or 10% of your capital, then do not pyramid, or buy or sell a second lot, until the market has moved at least 5 points in your favor; then when you buy or sell a second lot, use a stop loss order not more than 3 points away on both trades.

Example: We will assume that after buying the second lot, the trend reverses and the stop loss orders on both trades are caught 3 points away from where you bought the last lot. This will give you a loss of 3 points on the last trade and a profit of 2 points on the first trade, or a net loss of only one point. On the other hand, if the market continues to move in your favor, your profits will be twice as much after buying the second lot.

Whe the market has moved 5 points more in your favor, you buy a third lot, moving up the stop loss orders on the first and second lots and placing a stop on the entire lot of three trades not more than 3 points away and closer, if possible.

Continue to pyramid as long as the market moves 5 points in your favor, always following up with stop loss orders. When a stock selling between 5 and 75 a share has moved 15 to 25 points in your favor, you should begin to watch for a change in trend and be careful about buying or selling another lot on which you may have to take a loss.

THE RUN OR PYRAMIDING MOVE:

The big money in pyramiding is made in the run between accumulation and distribution, that is, after a stock passes out of the zone of accumulation. Pyramids should be started after double or triple tops are crossed and the stock clears the zone of accumulation. Then, when you get into this run, buy every 5 points up, protecting with a stop loss order not more than 3 points away from the last trade.

Reverse this rule in a declining market: After double or triple bottoms are broken and the stock clears the zone of distribution, sell every 5 points down, protecting with stop loss orders not more than 3 points above the last trade.

FAST MARKETS AND WIDE FLUCTUATIONS:

When stocks are very active and moving very fast, selling above $100, then you will find it best to make trades 7 to 10 points apart. The angles and price Resistance Points as well as old tops and bottoms will determine points to place stop loss orders with safety.

In fast-moving markets, like the panic of October and November, 1929, when you pyramid on active stocks and have very large profits, you should follow down, with a stop loss order about 10 points away from the market. Then, after a severe decline reduce stop loss orders, placing them about 5 points above the low level. When a market is moving as fast as this, you should not wait for the stock to get into a strong position on angles. Reverse this rule in an advancing market.

SAFEST PYRAMIDING RULE:

One of the safest rules to use for pyramiding when stocks are selling at extremely high levels or extremely low levels is to start with 100 shares and when the market moves 5 points in your favor, buy another 50 shares; then when it move 5 points more, buy or sell 30 shares; then on the next 5-point move in your favor buy or sell 20 shares, and continue to follow the market up or down with this amount until there is a change in the main trend.

WHEN NOT TO PYRAMID:

Safety is the first consideration in starting or continuing a pyramiding campaign in a stock. Mistakes are made by buying or selling a second lot too near the accumulation or the distribution point. After a big move up or down, you must always wait for a definite change in trend before starting a pyramid.

Never buy a second lot for a pyramid when a stock is near a double top or sell a second lot when a stock is near a double bottom.

A stock often holds several days or weeks in a range of 10 to 12 points, moving up and down, not crossing the highest top or breaking the last bottom made. As long as it remains in this range, you should not pyramid. When it gets out of this range, crossing the highest top or breaking the lowest bottom, then it will indicate a bigger move and you should start to pyramid.

Always check and double check, follow all the rules, study the major and minor time cycles for forecasting, the angles from tops and bottoms, the Resistance Points of Price between tops and bottoms. If you ignore one important point, it may get you wrong. Remember, the whole can never exceed all of its parts, and all of the parts make up the whole. If you leave out one of the parts or one of the rules, you do not have a complete trend indicator.

W. D. Gann

November, 1935